Universities Academic Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1989

Alberta
TREASURY

Universities Academic Pension Plan

ANNUAL REPORT

for the fiscal year ended March 31, 1989

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

February 1990

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Universities Academic Pension Plan Act, being Chapter U-6.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Universities Academic Pension Plan for the fiscal year ended March 31, 1989.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

91-00238/

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

February 1990

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Universities Academic Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Universities Academic Pension Plan for the fiscal year ended March 31, 1989, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Universities Academic Pension Plan was established effective July 1, 1978, by the Universities Academic Pension Act to provide a contributory pension scheme for members of the academic staff, including Presidents, of the Alberta Universities and the Banff Centre for Continuing Education.

The Universities Academic Pension Act was repealed on November 1, 1985 and replaced by the Universities Academic Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant Governor in Council and the Minister respectively, while the Universities Academic Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Universities Academic Pension Plan is a contributory defined benefit plan under which employee contributions are six per cent of salary and employer contributions seven per cent. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Universities Academic Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension if 10 years of pensionable service have been accumulated or after age 65 with five years of pensionable service. The normal pensionable age is 65, however, there is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years, times the number of years of pensionable service. The normal form of a pension is for the life of the member with a 15 year guarantee. Other options available are a 5, 10 or 20 year guarantee period. A member may also elect a joint life pension based on their life and that of a nominee. If the member has a spouse, unless a waiver is signed by that spouse, the pension must be a joint pension guaranteed for the life of the member and spouse.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least 10 years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit. The spouse of a member with less than 10 years of pensionable service must also accept a lump sum benefit.

Review of Operations

The Universities Academic Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, a number of systems and procedural enhancements were implemented. Improvements made to the administration of prior service now enable employers to provide estimated costs of eligible service directly to members. Benefits realized by this prior service refinement include improved timeliness and accuracy of information for both members and employers.

A review of the participant annual statement production and distribution resulted in additional and improved summary reporting. The format and content of summarized annual statement data was revised to provide employers with information concerning members approaching 35 years of service. These improvements will assist employers in carrying out their responsibilities.

During the year a review of the documentation associated with the processing of retirements, terminations, and annual reporting information was undertaken. Changes to the structure and content of forms led to a reduction in the amount and frequency of data required to be submitted by employers to the Pension Administration.

Procedures were changed so that all personal payments made by members are submitted via the relevant employer. This has improved the quality of the pension data base by ensuring that employers are aware of all transactions in respect of their members.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Universities Academic Pension Plan to be $995,238,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 23.2 per cent.

Participation

At March 31, 1989, there were five employers participating in the Universities Academic Pension Plan, 4,412 active contributors and 143 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Universities Academic Pension Plan	Transfers From Universities Academic Pension Plan
	$	$
Public Service Pension Plan	815,663	1,714
Local Authorities Pension Plan	56,385	74,648
Public Service Management Pension Plan	17,864	141,832
	889,912	218,194

Reciprocal Agreements

At March 31, 1989, the Universities Academic Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

Alberta Teachers' Retirement Fund
Local Authorities Pension Plan
Public Service Managerment Pension Plan
Public Service Pension Plan

Outside Alberta

Brock University
Dalhousie College and University
Government of Canada
Government of New Brunswick
Manitoba Teachers' Retirement Allowance Fund Board
McGill University
Ontario Council of Regents for the Colleges of Applied Arts and Technology
Ontario Institute for Studies in Education
Saint Paul University
Saskatchewan Teachers' Superannuation Commission
University of Guelph
University of Manitoba
University of Montreal
University of Ottawa
University of Prince Edward Island
University of Saskatchewan
University of Sherbrooke
University of Toronto
University of Waterloo
Wilfrid Laurier University

Reciprocal Transfers

During the year ended March 31, 1989, the following number and value of reciprocal transfers were undertaken:

	Transfers To Universities Academic Pension Plan		Transfers From Universities Academic Pension Plan	
	Number	Amount	Number	Amount
		$		$
University of Waterloo	-	-	3	46,463
Other	6	271,171	7	344,619
	6	271,171	10	391,082

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1989:

	Participants At March 31, 1989	Contributions Received		
		Employee	Employer	Total
		$	$	$
University of Alberta	2,393	8,377,110	9,041,569	17,418,679
University of Calgary	1,526	5,758,089	5,948,180	11,706,269
University of Lethbridge	302	1,012,543	1,031,675	2,044,218
Athabasca University	140	389,265	428,811	818,076
Banff Centre for Continuing Education	51	152,631	178,030	330,661
Accounts held on Deposit	104	7,770	-	7,770
Accounts held on Deposit for Deferred Pensions	39	7,780	-	7,780
	4,555	15,705,188	16,628,265	32,333,453

Refunds

Under the terms of the Universities Academic Pension Plan, a member who terminates has the option of transferring both the employee and employer contributions and interest into a registered pension or retirement savings plan. During the year there were 258 such transfers totalling $4,168,681. This amount is shown in the Statement of Receipts and Payments under Other Transfers.

In addition, 31 refunds of excess contributions totalling $51,566 were made to members and employers and three refunds of member contributions and interest totalling $3,573 were made to members terminating employment.

Death in Service Benefits

In the current year six members died while in service. Four of the surviving spouses were granted spousal pensions and two lump sum benefits were paid.

Information and Counselling Services

Payroll and Pensions presented two pre-retirement seminars to employees during the year.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper, Postscript.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and forwarded to employers for distribution to all active participants in the plan.

Pension Benefits

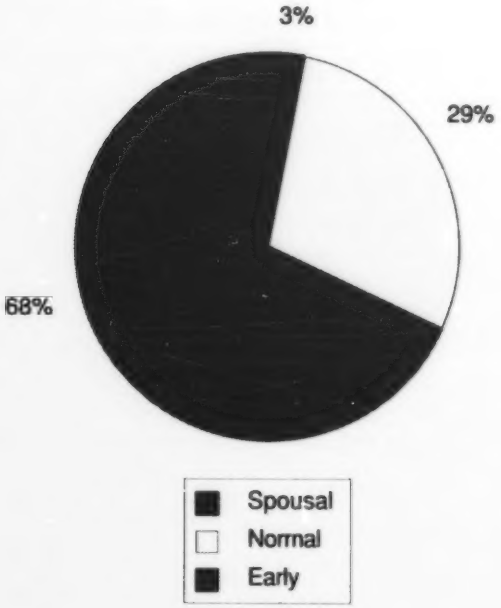
During the year ended March 31, 1989 pension benefits paid totalled $19,436,830, an increase of $4,256,003 (28.0 per cent) over the previous year. A total of 116 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

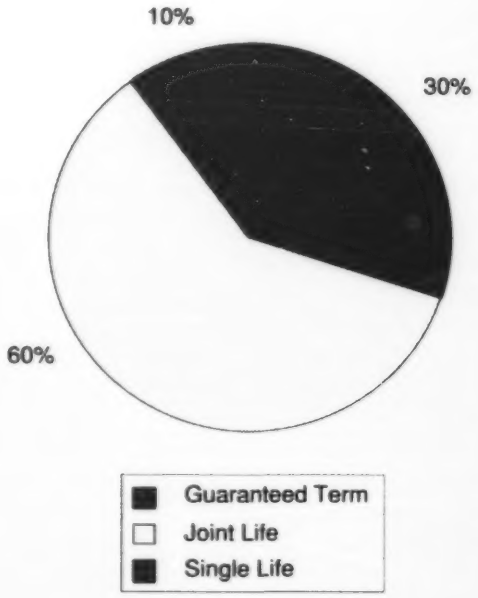
	1989		1988	
Normal Retirement	33		26	
Early Retirement	79	(37)	83	(51)
Death-in-Service (Spousal)	4	(1)	4	(3)
	116	(38)	113	(54)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, seven were in respect of deferred retirements from previous years (2 normal and 5 early retirements).

The charts below illustrate the relative proportions of retirements during the year by type of pension and by option chosen:

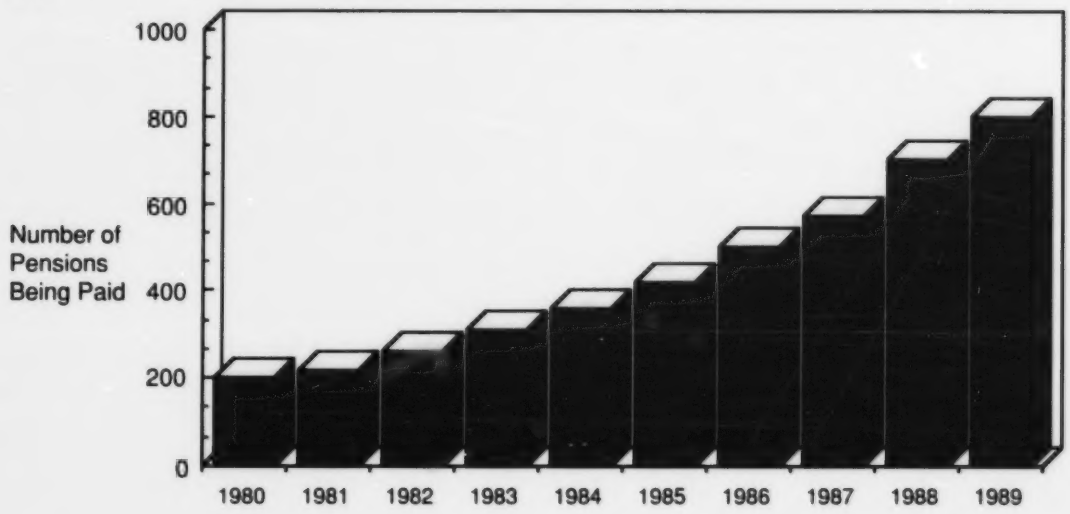




Pension options selected by members were as follows:

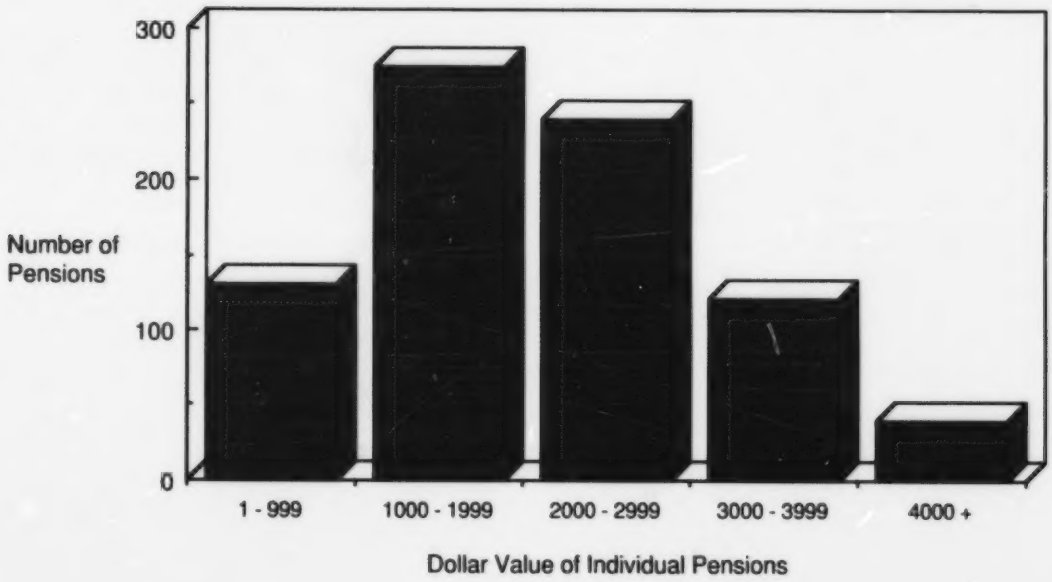
Member Pensions	At March 31, 1988	New Retire-ments	Benefi-ciaries	Deaths	At March 31, 1989
Normal (guaranteed 15 years)	100	10	1	(1)	110
Single Life	76	12		(3)	85
Guaranteed 5 years	24	6			30
Guaranteed 10 years	37	7			44
Guaranteed 20 years	55	7	1	(1)	62
Joint Life non-reduced	198	46	2	(2)	244
Joint Life reduced one third	109	24		(2)	131
Joint Life reduced one half	20		1	(1)	20
Spousal Pensions					
Single Life	18				18
Guaranteed 5 years	1				1
Guaranteed 10 years	13				13
Guaranteed 15 years	13	1		(1)	13
Guaranteed 20 years	20	3			23
Total Pensions	684	116	5	(11)	794
Pensions co-ordinated with CPP and/or OAS	225	38			263

The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1989, by dollar value of monthly pension:

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 999	105	24	129
1,000 - 1,999	238	33	271
2,000 - 2,999	230	10	240
3,000 - 3,999	118	1	119
4,000 and over	35	-	35
	726	68	794



Effective January 1, 1989, a cost of living adjustment of 2.0 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1988.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1989

	1989	1988
	$	$
RECEIPTS		
Employee contributions	15,705,188	15,454,669
Employer contributions	16,628,265	16,026,940
Interest on overdue receivables	1,373	229
Total receipts	32,334,826	31,481,838
PAYMENTS		
BENEFITS		
Pensions to retired members	17,901,279	14,115,046
Pensions to surviving spouses	1,131,117	1,003,547
Lump sums to beneficiaries of deceased pensioners	277,852	-
Lump sums to beneficiaries of deceased employees	126,582	62,234
	19,436,830	15,180,827
WITHDRAWALS		
Refunds of contributions and interest to terminated members	3,573	4,309
Reciprocal agreement transfers	391,082	387,716
Other transfers	4,168,681	3,133,479
Refunds of excess contributions	51,566	31,080
	4,614,902	3,556,584
Total payments	24,051,732	18,737,411
Excess of receipts over payments	**8,283,094**	**12,744,427**

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts Over Payments
	Employee	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1988/89	15,705	16,630	32,335	19,437	4,615	24,052	8,283
1987/88	15,454	16,027	31,481	15,181	3,556	18,737	12,744
1986/87	14,966	15,965	30,931	12,120	2,455	14,575	16,356
1985/86	14,192	14,402	28,594	9,713	2,963	12,676	15,918
1984/85	13,650	13,813	27,463	7,556	2,255	9,811	17,652